

***Delaware Health Resources Board  
Pike Creek Healthcare Services Review Committee Meeting Minutes  
Friday, January 24, 2020 10:00 AM  
Thomas Collins Building  
Division of Developmental Disabilities Training Room 101  
540 South Dupont Highway Dover DE 19901***

***Review Committee Members Present:*** Leighann Hinkle, Pamela Price and Margaret Strine

***Staff Present:*** Latoya Wright

***Call to Order and Welcome***

The meeting of the Review Committee for Pike Creek Healthcare Services was called to order at 10:05 a.m.

***Review of Pike Creek Healthcare Services (CPR) Application***

It was stated that the application for Pike Creek Healthcare Services was deemed complete on October 31, 2019. At the November 14, 2019 Health Resources Board (HRB) meeting, Pike Creek Healthcare Services representatives provided the HRB members with a formal presentation of the project.

***Project Summary and Background Information***

Cadia Healthcare Pike Creek proposes the development of a 52-bed addition to their existing 130 bed facility in New Castle County. Within those 52 beds, 11 ventilator beds will be developed which will supplement the existing 34 bed ventilator unit at the facility. Additionally, while not subject to this Certificate of Public Review (“CPR”), Cadia Healthcare Pike Creek anticipate developing a dialysis center as part of this construction, which will enable them to serve the surrounding community, as well as the residents of the Pike Creek Nursing Facility.

This will make Cadia Pike Creek the only nursing facility that can serve ventilator-dependent residents with dialysis needs all under one roof, at one location, without transport. As well, it will be one of the few in the mid-Atlantic region. There is no such skilled nursing facility in Delaware that provides dialysis on site. This will be a huge improvement for these particular residents who frequently cannot be accommodated in anything but an acute clinical setting. Thus, it will enable a less institutional living arrangement and significant cost savings for each of these residents. Also important is the elimination of the enormous burden of transportation for these individuals. The 52-bed unit will drive economies of scale, increase the efficiency of its operations, and reduce the cost of care on a per patient day basis – the most important cost metric used in healthcare. It is the basis upon which facilities are reimbursed. The maximum unit permitted by State law is 60 beds, so this unit can be constructed under those guidelines.

***Conformity of Project with Review Criteria***

The Review Committee reviewed the CPR application and the responses to the seven criteria.

Criterion I: The relationship of the proposal to the Health Resources Management Plan.

The application states the principals of Cadia Healthcare Pike Creek have long served the citizens of Delaware at their facilities throughout the State. The Principals' management company, Long Term Care Corp d/b/a Cadia Healthcare, provides skilled nursing, memory-care, ventilator-care, and rehabilitation services in all three counties in Delaware. The organization has been providing quality healthcare services in Delaware for over 32 years.

The applicant is an existing 130 bed skilled nursing facility, which they seek to expand, with established linkages throughout the broader healthcare community in New Castle County and Delaware. Cadia Healthcare Pike Creek are affiliated with and/or have relationships with:

- Multiple hospice agencies in all three counties
- Multiple assisted living facilities throughout the state (including dementia care)
- Christiana Care Health System
  - Stanton Campus
  - Wilmington Campus
- Beebe Healthcare
- Bayhealth
  - Kent Campus
  - Sussex Campus
- St. Francis Hospital
- Union Memorial Hospital
- Psychiatric hospitals:
  - Meadowood Behavioral Health
  - Rockford Center
  - Sun Behavioral
- Education Institutions offering nursing training:
  - Delaware Technical and Community College
  - University of Delaware
  - Delaware Skills Center

All beds at the Pike Creek location are certified for Medicare and Medicaid Certification (certification #'s noted previously in this application) and will remain so under this plan. The new beds will be certified for Medicare and Medicaid participation. The applicant maintains a signed participation agreement between all Cadia Healthcare facilities and the Delaware Health Information Network ("DHIN") with the latest agreement effective 5/1/19.

The Review Committee discussed Cadia Pike Creek's long-standing history in Delaware and their success in providing the community with comprehensive skilled nursing and long-term care, patient and outpatient rehabilitation.

The Review Committee agreed the application met criterion I.

Criterion II: The need of the population for the proposed project.

The application stated there is a need for skilled nursing beds. The application asserted to 2017 Nursing Home Bed Need Projections data. During the time, the application was submitted, the most recent (2018) data was not yet published. The Review Committee, however, considered the

most recent 2018 Nursing Home Bed Need projections during the review process. The Review Committee discussed the 2018 Delaware Nursing Home Utilization Report which captures nursing home beds and occupancy rates for nursing homes. Per the 2018 Delaware Nursing Home Utilization Statistics Report, New Castle County has a supply of 2,629 certified beds in 27 facilities. The applicant's occupancy rate at the existing facility for the last three calendar years (2016-2018) has ranged from 88.9%-91.8% (referenced in Schedule 6 in the application).

In 2018, private nursing homes in New Castle, Kent and Sussex Counties operated at 88.0%, 77.8% and 87.7%, respectively (Table 2).

**Table 1: Weighted Occupancy Rates, 2008-2018, by Facility Type and County**

Year	Private Facilities				Public Facilities	All Facilities
	New Castle County	Kent County	Sussex County	Total Private		
<b>2008</b>	91.4%	88.9%	80.3%	87.7%	62.9%	84.7%
<b>2009</b>	89.6%	93.5%	89.7%	90.2%	60.2%	86.5%
<b>2010</b>	91.1%	93.3%	89.3%	90.9%	63.9%	87.7%
<b>2011</b>	90.3%	93.6%	88.5%	90.3%	61.0%	86.8%
<b>2012</b>	91.1%	89.5%	87.5%	89.8%	54.3%	85.8%
<b>2013</b>	89.0%	89.1%	87.8%	88.7%	51.5%	84.9%
<b>2014</b>	90.1%	91.5%	90.9%	90.5%	64.1%	88.5%
<b>2015</b>	89.8%	92.5%	89.4%	90.1%	67.7%	88.7%
<b>2016</b>	89.2%	90.7%	88.7%	89.3%	67.8%	88.0%
<b>2017</b>	89.6%	86.7%	88.8%	89.0%	67.5%	87.7%
<b>2018</b>	88.0%	77.8%	87.7%	86.3%	59.9%	84.8%
<b>2008-2018 %</b>	<b>-3.7%</b>	<b>-12.5%</b>	<b>9.2%</b>	<b>-1.6%</b>	<b>-4.8%</b>	<b>0.1%</b>

The application asserts, no additional nursing home beds have been approved in NCC recently. The HRB staff has verified that is correct. The proposed addition of 52 beds to this *existing* facility will only *partially* cover the deficit in existing supply.

The Review Committee discussed how the applicant has denied 50 potential patients requiring ventilators, tracheostomy care, and/or isolation for admission to this facility due to lack of sufficient private beds. The Review Committee agreed there is a need for these services.

The Review Committee agreed the application met criterion II.

Criterion III: The availability of less costly and/or more effective alternatives to the proposal of Delaware, including alternatives involving the use of resources located outside the State.

There are several alternatives to nursing home care. Such alternatives include home care, day care, and assisted living. However, for many individuals with higher acuity and chronic conditions, there is no appropriate substitute or alternative for nursing and rehabilitative care provided in the form of a nursing home. Cadia Pike Creek has one of the most extensive rehabilitation programs in the State that is located within a skilled nursing facility. Approximately 93% of the admissions

are discharged to a lesser care environment. A short-term rehabilitation patient is returned to home or their previous environment in approximately 30 days. Expanding the existing ventilator unit, will enable more Delaware citizens to stay in-state and close to family while receiving this vital service. Also, the goal of adding End-Stage Renal Disease Dialysis Care to the building will enable to meet existing renal patients' needs during their stays, but also maintain those ventilator-dependent dialysis patients in-house rather than in acute settings or out-of-state.

The Review Committee discussed the percentage of admissions being discharged to a lesser environment. The Review Committee inquired about the discharge destination of the patients.

The Review Committee agreed the application met criterion III.

Criterion IV: The relationship of the proposal to the existing health care delivery system.

It is anticipated that adding beds to the existing supply will have minimal impact on existing NCC skilled nursing facilities since they were operating at high occupancy rates. The proposed addition of 52 private beds provides a minimum increase to the overall SNF supply within NCC. This additional supply will be offset by increasing demand. It will further benefit hospitals by permitting more rapid hospital discharges of patients requiring ventilators to an appropriate setting and reducing cost to the overall healthcare continuum. As mentioned previously in this application, Cadia Pike Creek is an existing healthcare provider in this area with long-established referral arrangements with other providers which ensures an appropriate continuity of care, accessibility and relating quality enhancements. The following payers are currently contracted with the applicant: Highmark, United Healthcare, Medicare, Blue Cross/Blue Shield Commercial, Cigna, Humana, Tricare, Aetna, St. Francis Life, and AmeriHealth. Hospice providers who are currently contracted with the applicant include Seasons Hospice, New Century Hospice.

The Review Committee discussed the dialysis center potentially having an impact on other dialysis centers in the area. The Review Committee wanted to know for the patients that will receive dialysis services at the Cadia Pike Creek facility, are they permitted to come back to the facility for dialysis services. The Review Committee also discussed the dialysis center potentially having a facility fee. The Review Committee will ask the applicant those questions.

The Review Committee will wait to vote on this criterion until further information is received from the applicant.

Criterion V: The immediate and long-term viability of the proposal in terms of the applicant's access to financial, management and other necessary resources.

Cadia Pike Creek has been in business for 10 years. The real estate assets are owned by Sabra Health Care REIT, Inc. ("Sabra") and are operated under a long-term lease arrangement with Pike Creek Healthcare Services, LLC t/a Cadia Rehabilitation Pike Creek. Sabra will finance the project and fund the capital required. Sabra owns over 450 healthcare and senior living properties in the United States and Canada, including over 350 skilled nursing facilities. It invests in its buildings and is committed to the Delaware healthcare community. Sabra has stated that this project will continue its efforts to enable the provision of the highest quality of nursing and rehabilitation care.

Regarding financial resources, the estimated capital to fund construction will be funded by the existing Landlord in return for rent related thereto and the Applicant can comfortably support the

increased rent burden from historical operating performance / cash flows. The facility has demonstrated its viability as an on-going concern since 2009. The organization has the immediate and long-term capability to meet the commitments set forth in this application and has the access to financial capital requirements, management talent, staff, and other resources necessary to operate the proposed expansion successfully.

The Review Committee agreed the application met criterion V.

Criterion VI: The anticipated effect of the proposal on the costs of and charges of healthcare.

Calendar Year (“CY”) 2022 projected vs. CY 2018 Audited F/S

Financial Impact (first full year of operations)

Estimated effect on annual expenses: \$7.6 Million Increase

Estimated effect on annual revenue: \$9.1 Million Increase

Estimated effect on individual charges: There will be no charge to the Medicaid, Medicare and Private rate structures

The Review Committee reviewed Schedule 4-Statement of Revenues and Expenses in the application. It was stated because of the expansion of more subacute services, primarily related to respiratory care necessitating vent dependence and the introduction of dialysis care, the cost in the SNF is not expected to decline significantly. However, the cost to the healthcare system is expected to be reduced dramatically for these patients because of the capacity to care for them in place at a lesser cost environment. The cost to care for an individual who requires ventilator support and/or dialysis is much less in a skilled nursing facility than an acute care hospital.

The Review Committee discussed the potential cost for operating the dialysis center. It was discussed how it would be beneficial to see the projected costs, expenses and usage of the dialysis center. The Review Committee will wait to vote on this criterion until further information is received from the applicant.

Criterion VII: The anticipated effect of the proposal on the quality of health care.

The applicant is already certified by Medicare and Medicaid and will seek the same certification on the new beds as well. It is believed that the quality of healthcare services in New Castle County are quite good. However, there is a shortage of long-term care skilled nursing beds and accommodations for patients that needs dialysis, especially ventilator-dependent dialysis patients. Continued training and education is one of the most important components of an effective Quality Improvement Program. Cadia Pike Creek employs a full-time Staff Development Director to plan and implement comprehensive quality improvement programs and to provide ongoing training in the classroom setting and on the nursing units. The Staff Development Director also runs education programs for residents and family members. Special training for staff who provide respiratory and dialysis care will be provided regularly, ensuring the highest level of care to the residents, but also to help maintain the clinical competencies of the staff.

The Review Committee discussed the importance of behavioral health services and wanted to know if Cadia Pike Creek currently serve the behavioral health population and the type of services.

The Review Committee agreed the application met criterion VII.

#### Other Review Considerations

The project will offer improvements in economies of scale and service. The facility will be equipped with state-of-the-art technologies. The expansion will provide improved resident quality by providing private rooms with a private bath. The addition of an on-site dialysis facility will also improve the delivery of care by reducing the need to transport nursing home patients for dialysis and be able to offer these services to ventilator-dependent residents. This facility is currently ten years old. The expansion and new state-of-the-art unit will foster competition, help hold reimbursement costs for Medicaid, and promote quality. All facilities have a strong focus on Medicare and Medicaid patients. In the five Cadia buildings, the average Medicaid census is 58.3%. Cadia Pike Creek's current Medicaid population is 44.6% and the Medicare population is 43%. As this project relates to the continuity of care, the long-term care services currently provided are already an integral part of the continuum of care. Energy conservation and other "green" construction will be incorporated into the design and new addition to the extent possible. The existing facility is already well designed and handicap accessible. The new expansion will be barrier free to the greatest extent possible and will meet all the current regulation and design stipulations required by the Americans Disability Act.

The Review Committee sent the following questions to the applicant:

- The application states 93% of the admissions are discharged to a lesser care environment. Where are those admissions discharged to? Please provide the discharge destination for the 93%.
- The patients that will receive dialysis services in the Cadia Pike Creek facility, are they permitted to come back to the facility for dialysis services?
- Will Cadia Pike Creek provide outpatient dialysis services to the community (non-residents of the nursing facility). If so, will there be an additional facility charge, or will the cost be similar to that of other outpatient dialysis centers?
- Please provide the projected revenue, projected costs and projected usage for the 52-bed expansion, excluding that of the dialysis center.
- For the patients that currently require dialysis services, are they transported to a hospital or to a nearby outpatient dialysis center?
- Does Cadia Pike Creek serve the behavioral health population and if so, what services are provided to that population to include behavioral and substance abuse services?

#### ***Next Steps***

Staff will send the follow up questions to the applicant for responses. There will be another Review Committee Meeting scheduled to continue the review of the application.

#### ***Adjourn***

The meeting adjourned at 12:09 p.m.